

American Merchant Marine

An Article

Prepared by the Southern Commercial Congress
on the Proposed Establishment of a
Merchant Marine



PRESENTED BY MR. FLETCHER

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AMERICAN MERCHANT MARINE.

The Committee on the Merchant Marine of the House of Representatives in its report of September 8, 1914, on the Government ownership and operation of merchant vessels in the foreign trade of the United States, said:

We shall not discuss the desirability of having an American merchant marine. We will assume that there is no difference of opinion on that point.

No one can honestly take issue with that statement of the committee.

In order to establish an American merchant marine, the above committee, after full deliberation, favorably reported a bill authorizing the Government, acting through a shipping board composed of members of the Cabinet, under the direction of the President, to acquire and operate merchant vessels in the foreign trade of the United States, these vessels also to be available as naval auxiliaries.

There is an idea abroad that this bill is a war emergency measure. This is not so. In its report the committee says:

The fact that we pay a sum variously estimated to be from \$200,000,000 to \$300,000,000 annually to vessels under foreign flags, to transport our commerce, which seriously affects our balance of trade, is urged as a sufficient reason why we should have a merchant marine of our own; but this is only one of many reasons.

Long before the beginning of the present war the need for an American merchant marine was so keenly felt that the Senate passed a bill known as the Weeks bill, which proposed to use naval vessels as a nucleus for an American merchant marine.

Objections to the shipping bill now before Congress has developed from two sources. It was to be expected that there would be objection by shipping interests which have been reaping the benefit of American inactivity in the foreign shipping trade. It was also to be expected that certain financial interests and their affiliations, especially those interested in foreign shipping, would object to a Government merchant marine.

Opponents to the bill have advanced arguments to sustain their position, but not one of them will stand analysis. Many newspapers and periodicals are opposing the bill, but the fact that they enjoy considerable advertising and other patronage from the steamship lines and the financial interests that are opposing the bill may go far toward explaining their position on this great question of an American merchant marine.

(1) Opponents to the bill say that there are a large number of ships at present in American harbors unable to get cargoes; hence there is no need for a Government merchant marine.

A recent investigation has proven this not to be true. Ships seek cargoes at all times, but the present chartering market is very firm,

and when the question of foreign credits is settled and commerce begins to move, as it must very shortly, there will be a positive famine in ships, as over 5,000,000 tons of German and Austrian shipping are completely out of commission, to say nothing of the large number of British, French, and Russian merchant ships which have been taken over by their respective Governments for transports and naval auxiliaries.

There are, all told, considerably less than 100 American ships in the foreign trade in the whole world, including all of the ships which have just taken American registry to secure the protection of the flag on account of the war. None of these ships are idle. Therefore, even though there were hundreds of idle ships in every American harbor, it would not alter the necessity for passing the shipping bill now before Congress, as all such ships would be foreign ships, and the object of this bill is to establish an American merchant marine.

(2) Opponents to the bill say that if the Government will not enter the shipping business private capital will provide an American merchant marine.

This is rather inconsistent with their statement that the harbors are full of idle ships, for, if that is true, private capital will find no attraction in the shipping business.

What likelihood is there to obtain private capital for this new business, especially to the amount contemplated by the shipping bill, \$40,000,000, when long-established, going concerns find it impossible to obtain money except at heavy rates.

When the city of New York must pay 7 per cent, including bankers' commissions, for a loan of \$100,000,000; when the State of Tennessee found it most difficult to obtain a loan of \$1,400,000, it is quite certain that private capital will be unable to provide an American merchant marine, especially as it did nothing in the matter while the opportunity was open during the past 50 years.

(3) Opponents to the bill say that the Government will lose much money in this business.

This argument has been their favorite one. The bugaboo of increased taxes, "loss of the initial investment every three years," and much more of the same nature has been circulated in an effort to defeat the bill.

The shipping business is one of the most profitable in the world. Special Diplomatic and Consular Reports, page 39, says:

The White Star Line, in 1910, earned a net profit of £540,000 sterling on a capital of £750,000 sterling after writing off £370,016 sterling for depreciation. A dividend of 30 per cent was paid in that year.

The Holland Amerika Line earned about 50 per cent net on its capital during the first fiscal year of 1913. The Hamburg-American Line earned about 30 per cent net during its fiscal year of 1913. These are only a few specific instances of steamship-line earnings. They are not at all unusual, but are the regular thing in the shipping business.

F. E. Dixon & Co., of London, who own and operate a large fleet of "tramp" freighters, showed earnings of about 50 per cent net last year, which proves that steamship earnings are large in the irregular services as well as in the regular lines. In fact, the profits in the

steamship business are so large that frequently the entire cost of a ship is earned in two years.

The question will arise, Why have not Americans gone into such profitable business? The answer is, For the same reason that Americans have neglected the vast foreign export trade; they have been too busy with their industries at home.

But, unlike the export trade, which each manufacturer can work up individually, to establish an adequate merchant marine is so large an undertaking at this time and involves so large an amount of money, that if it is to be done at all, it must be done by the Government.

(4) Opponents to the bill say that there will be danger of the United States violating neutrality if it operates merchant ships at this time.

The report of the Committee on the Merchant Marine says:

We have rights as neutrals as well as duties to be observed. * * * The President will have the State Department to advise him on all questions affecting our rights and duties as neutrals. * * * We should assume that the President and shipping board, in the exercise of any powers granted or duties imposed by this bill, will keep well within our rights as neutrals.

On this point the Secretary of the Treasury, McAdoo, also says:

The board proposed in this bill consists really of the President of the United States and certain Cabinet officers therein mentioned. I think there is no more punctilious citizen of the United States with respect to the neutrality of this country than the President of the United States. I think you may safely depend on it, if this bill is passed and this board is vested with power to act, that that power will be exercised in such a way that the neutrality of this country will be preserved.

(5) Opponents to the bill make an alternative proposition that we should build up an American merchant marine by granting subsidies.

Subsidy seekers have managed to create a belief that the merchant marines of European countries, especially the merchant marines of the two greatest maritime countries in the world, Great Britain and Germany, have been built up by granting subsidies to its shipping. Neither of these countries grant subsidies except to a very limited extent and for very special service.

The Hamburg-American Line, the largest and perhaps the most successful steamship company in the world, has never received a subsidy. A moderate subsidy was granted by Great Britain to the Cunard Co. in connection with the steamers *Mauretania* and *Lusitania*, but that was chiefly to keep the Cunard Co. from selling out to the International Mercantile Marine, the combination organized by J. P. Morgan & Co. Over 90 per cent of the total tonnage of Great Britain does not receive a farthing of subsidy.

It will surprise many to know that the United States pays a larger subsidy to four American ships owned by the International Mercantile Marine, namely, the *New York*, *Philadelphia*, *St. Paul*, and *St. Louis*, than is paid by any foreign nation for similar service. This country pays to these ships an annual subsidy of about \$735,000, and obtains practically nothing in return for this except the carrying of the mails on these steamers, which, at regular rates, would amount to only a trifling fraction of the amount of the subsidy. As a matter of fact, most of our mail goes forward on foreign ships, as they are much faster and they sail more frequently, the subsidized

American ships being among the smallest and most out-of-date steamers in the North Atlantic trade.

The extraordinary large profits in the steamship business show that steamships can be operated profitably under the American flag without a subsidy, in spite of the somewhat higher wages and better living requirements of American seamen; therefore it will be well-nigh impossible to obtain a subsidy simply to make up the extra profits possible under foreign flags. For the same reason we will never have an American merchant marine unless it is established by the Government, because such private capital as may go into the foreign shipping business will operate under foreign flags to get the benefit of cheaper operation when the dangers of war are passed.

The present war has made it possible to secure, at most favorable prices, an excellent choice of modern, up-to-date steamers of different nationalities, also many steamers not yet out of the builders' hands, hence not yet nationalized, at less than the contract price. Also, as a result of the war, the financial success of the enterprise is more fully assured, as we will not have the competition of the warring nations to the same extent that we would have in times of peace.

The \$40,000,000 called for by the shipping bill will not be an expense, as the bill's opponents are pleased to call it, but it will be an investment of the first class without considering the enormous advantage to the whole people of the United States in having an American merchant marine under Government control and the great reduction in rates that will be possible, as the Government will not desire net earnings of from 30 to 50 per cent on its investment, but will be content with only a fair return.

It would be little short of a political and economic crime if we did not avail ourselves of the present almost unbelievable opportunity to do in a most practical manner that which Congress was endeavoring to do before the commencement of the war as best it could by means of the Weeks bill.

